

Message Text

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14

ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 PM-07 NSC-10 SPC-03 SS-20 RSC-01

L-03 H-03 PRS-01 CIAE-00 INR-10 NSAE-00 EB-11 COME-00

TRSE-00 INT-08 SCEM-02 OPIC-12 CIEP-02 OMB-01 USIA-15

PA-04 DRC-01 /152 W

----- 048543

R 180810Z NOV 73

FM USINT BAGHDAD

TO SECSTATE WASHDC 644

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

C O N F I D E N T I A L BAGHDAD 620

KUWAIT PASS ABU DHABI AND DOHA

E.O. 11652: GDS

TAGS: ENRG, IZ

SUBJECT: EXXON, MOBIL AND SHELL TALKS WITH IRAQ

REF: BAGHDAD 601; LONDON 13162

1. EXXON/MOBIL/SHELL TEAM VISITED BAGHDAD NOV 12-14 AND HAD SEVERAL MEETINGS WITH MINPET HAMMADI AND RCC OFFICIALS FAKRI QADDOURI AND HAMDANI. HAMMADI SAID GOI WANTED PACKAGE SETTLEMENT TO RESOLVE NATIONALIZATION AND OTHER ISSUES INVOLVING BPC. DEADLINE FOR PACKAGE SETTLEMENT IS END OF YEAR. PACKAGE WOULD INCLUDE FOLLOWING SIX MAJOR ITEMS:

2. COMPENSATION. AMERICAN REPS SUGGESTED KQTED BOOK VALUE
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AND HAMMADI SAID HE THINKING OF NET BOOK VALUE IN VIEW LIBYAN

EXPERIENCE. PAYMENT IN OIL CAME UP AND HAMMADI SAID IT WAS POSSIBILITY BUT IPC MARCH 1 COMPENSATION OIL WOULD NOT BE PRECEDENT. TEAM WAS APPREHENSIVE THAT GOI WOULD RENEGE ON THIS COMPENSATION OIL DUE TO PRICE INCREASES, BUT HAMMADI HAD SAID "A DEAL IS A DEAL". IN FUTURE, ANY COMPENSATION OIL SEEMS CERTAIN TO BE TIED DIRECTLY TO MARKET VALUE AT TIME OF LIFTING.

3. PURCHASE OF NATIONALIZED OIL. GOI WILLING TO GIVE COMPANIES RIGHT OF FIRST REFUSAL ON NATIONALIZED PORTION OF BPC PRODUCTION FOR 1974 AND 1975 AT COMMERCIAL PRICES. HOWEVER, GOI MUST HAVE COMMITMENT FOR 1974 OIL BY NOVEMBER 30 AND FOR 1975 OIL BY DECEMBER 31.

4. PARTICIPATION. HAMMADI MENTIONED NECESSITY OF SETTling ALL OUTSTANDING ISSUES LEFT OVER FROM MARCH 1 SETTLEMENT, PARTICULARLY PARTICIPATION. THERE WAS APPARENT AGREEMENT THAT GULF FORMULA ALREADY BYPASSED. HAMMADI HAD SAID HE THINKING IN TERMS OF IRANIAN FORMULA, BUT NO DETAILED DISCUSSION HELD. OTHER OUTSTANDING ISSUES APPARENTLY OF MINOR IMPORTANCE.

5. BPC EXPANSION. HAMMADI WANTS IT TO GO AHEAD ON SCHEDULE WITH GOI PAYING ITS SHARE OF INVESTMENT COSTS AS 38 PERCENT OWNER OF BPC. HAMMADI SAID GOI WANTED TO MAINTAIN FULL RELATIONSHIP WITH BPC WITHOUT PREJUDICE.

6. ECONOMIC RELATIONSHIP. AS PART OF PACKAGE SETTLEMENT GOI WORLD LIKE HELP IN INDUSTRIALIZATION ALONG LINES OPEC POLICY.

7. SERVICE CONTRACTS. ALTHOUGH NOT NECESSARILY PART OF PACKAGE, HAMMADI SAID THAT MOBIL AND EXXON WERE WELCOME TO BID ON EXPLORATION SERVICE CONTRACTS WITHOUT PREJUDICE.

8. BPC REP PAWSON SAID COMPANY REPS EXPECTED TO SEE HAMMADI IN VIENNA DURING NOV 18 OPEC MEETING TO ARRANGE FURTHER NEGOTIATIONS. HAMMADI HAD INSISTED THAT ALL NEGOTIATIONS BE CONDUCTED IN BAGHDAD AND PAWSON EXPECT TEAM WILL RETURN BEFORE END OF NOVEMBER. POSITION OF CFP AND BP IS NOT CLEAR, BUT SINCE GOI WANTS PACKAGE THERE IS OBVIOUSLY GOING TO HAVE TO BE COORDINATED BPC APPROACH.

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9. COMMENT: PRESENCE OF HEAD OF RCC ECONOMIC BUREAU QADDOURI AND SADDAM HUSSEIN'S CONFIDANT HAMMADI ON NEGOTIATING TEAM IS SIGN OF BOTH IMPORTANCE GOI ATTACHED TO THESE PRELIMINARY TALKS AND AUTHORITY WITH WHICH HAMMADI WAS SPEAKING. IT NOW SEEMS CLEAR THAT GOI HAS RETURNED TO ITS PRE-WAR POLICY OF "PURE COMPETITION" IN ECONOMIC MATTERS AND WISHES TO BENEFIT FROM AMERICAN TECHNOLOGY. IF COMPANIES CAN PRESENT SOME IMAGINATIVE PROJECTS TO FURTHER IRAQI INDUSTRIALIZATION THEY

WILL BE PARTICULARLY WELCOME. LOWRIE

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